



Updates to FedEx Pre-65 Retiree Health Benefits

You may not be thinking about your retirement yet, but we are...specifically your retiree health coverage. You may not realize that FedEx offers pre-65 retiree health coverage to eligible employees when they retire. And we are one of the few remaining companies that does so. According to The Kaiser Annual Employer Health Benefits Survey, there has been a downward trend in large employers that offer retiree health coverage, with only 24 percent still offering coverage in 2016.* We want to continue to offer retiree health coverage to current, eligible employees, but rising health care costs and the structure of the retiree health plan are making that a challenge.

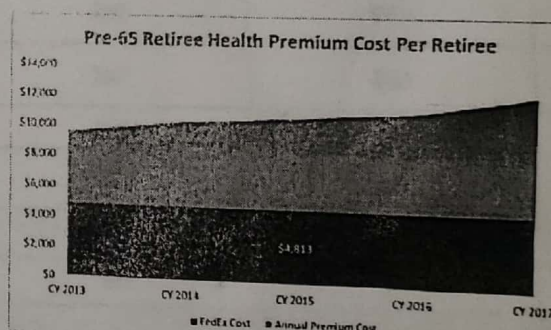
For the last few years, FedEx has been researching better ways to provide you access to retiree health coverage. Beginning January 1, 2018, the following changes and enhancements will be made to pre-65 retiree health benefits:

- FedEx will provide a one-time Retiree Health Credit to help you pay for your retiree health coverage premiums when you meet eligibility requirements and retire.
- Depending on where you live, you may have access to additional health coverage options through a private exchange.
- FedEx will provide access to resources to help guide you through your retirement decisions.
- In order to make the retiree health program sustainable for our current employees, retiree health coverage will be closed to new employees hired on or after January 1, 2018.

These changes represent our continued commitment to offering pre-65 health care coverage to current, eligible employees when they retire. Below you'll find more detail on these changes and some background on retiree health benefits and how FedEx has been working to preserve their value.

Background on FedEx Pre-65 Retiree Health

The FedEx Corporation Retiree Group Health Plan (FedEx Retiree Health Plan) is structured as a capped annual company subsidy, separate from the health plan for active employees. In 1993, the Financial Accounting Standards Board began requiring companies to include on their balance sheets the future liability of post-retirement health benefits for all employees, even those many years from retirement. That change created tremendous expense and liability for large employers, so many decided to eliminate retiree health coverage completely. But not FedEx. FedEx opted to maintain pre-65 retiree health benefits and placed a cap on the company's contribution to retiree health coverage in order to limit the growth of this long-term liability and expense. In 2013, we hit the cap of \$4,813 per retiree, which means annual cost increases for retiree health coverage have been paid by the retiree since then. The following graph demonstrates how FedEx has been subsidizing the cost of retiree health benefits, and how the costs for retirees continues to rise exponentially due to increasing health care costs nationwide.



	FedEx Cost	Annual Premium Cost	Total Cost of Retiree Health
CY 2013	\$4,813	\$4,748	\$9,561
CY 2014	\$4,813	\$5,494	\$10,307
CY 2015	\$4,813	\$5,929	\$10,742
CY 2016	\$4,813	\$6,426	\$11,239
CY 2017	\$4,813	\$7,587	\$12,400

As a result of the rising cost of retiree health care and the \$4,813 annual FedEx subsidy, retiree health premiums are much higher than what you pay as an active employee. Because of this, FedEx began researching better ways to provide you access to more retiree health coverage options and resources to help you better plan for retirement. These changes do not alter the value of the benefit, but allow for retirees to have flexibility to determine what is affordable and the best option for their financial and personal circumstances.

Changes Beginning January 1, 2018

Outlined below are the changes to pre-65 retiree health benefits that will provide improved features and resources and – depending on where you live – access to more health coverage options.

- When you meet eligibility requirements and retire, FedEx will provide a one-time Retiree Health Credit to help you pay for your retiree health coverage premiums. The credit will be placed in a Retiree Health Premium Account, and you can be reimbursed for your premiums, up to the amount in the account. The Retiree Health Credit replaces the subsidy that FedEx has provided in the past. With the credit, the financial value of the benefit is still equivalent; premiums are just paid in a different way.

Your Monthly Cost

Retiree Medical, Dental, Vision

2017 Benefit Options	Retiree	Spouse/Partner	Child(ren)
A Medical			
Retiree Consumer Choice & Retiree Consumer Choice Select	\$464	\$500	\$104
Retiree Consumer Premier & Retiree Consumer Premier Select	\$764	\$796	\$104
Retiree Consumer Out-of-Area	\$808	\$847	\$104
Retiree Kaiser Consumer Choice — California	\$723	\$760	\$104
Retiree Kaiser Consumer Premier — California	\$808	\$847	\$104
HMSA PPO (CompMed)	\$808	\$847	\$104
HMSA HMO (Health Plan Hawaii)	\$808	\$847	\$104
B Dental*			
	\$68	\$68	\$53
C Vision*			
	\$19	\$30	\$32

* If you wish to elect dental and/or vision coverage in addition to your medical coverage, add the appropriate medical coverage tier cost to the tier cost for the dental and/or vision coverage you wish to elect.

A box ■ in the table indicates a cost used in the example calculation below.

Example: You elect the following for 2017:

A Retiree Consumer Choice with Retiree & Spouse/Partner coverage	\$964
B Dental with Retiree & Child(ren) coverage	\$121
C Vision with Retiree & Spouse/Partner coverage	\$ 49
Total Monthly Cost	\$1,134

Your Retiree Health Credit amount will be determined based on your age when you retire, as shown in the chart below. If you cover a spouse/partner, your spouse/partner will receive a credit amount based on his/her age. If any non-spouse/partner dependents are covered, they will not receive their own credit, but your credit can be used to cover their premiums.

Example:

If you retire at age 62 and your eligible spouse/partner is 57, you would receive a FedEx credit of \$22,000 and your spouse/partner would receive a FedEx credit of \$35,000.

Age at Retirement	One-Time Credit Amount Per Covered Individual*	Age at Retirement	One-Time Credit Amount Per Covered Individual*
55 or less**	\$39,000	61	\$25,000
56	\$37,000	62	\$22,000
57	\$35,000	63	\$20,000
58	\$33,000	64	\$18,000
59	\$30,000	65+	\$11,000
60	\$27,000		

* Retiree is one "individual," and retiree spouse/partner is a separate individual; values represent the current actuarial net present value of the current retiree medical plan design for each age.

**Spouse/partner only may be younger than age 55.

- Depending on where you live, you may have access to more health coverage options. In addition to the existing FedEx Retiree Group Health Plan, FedEx has teamed up with Aon to provide retirees access to the Aon Retiree Health Exchange™ and its partner eHealth, a private exchange that offers various health care plans to choose from, depending on where you live. An "exchange" is simply an online resource where insurance providers advertise and sell their services. Because each state regulates its own exchanges, there is no uniform model. In some markets, competition among plan providers works in your favor, and there's a potential for better value and lower rates. This gives you the option to research various coverage options and possibly select different coverage based on your needs. And – great news – if you select health coverage through eHealth, you can use your FedEx Retiree Health Credit to reimburse your premium costs AND you will have access to an Aon health advocate if you need assistance with claims, payments, appeals, and other concerns!

In some areas, there may not be many or any additional options through the Aon Retiree Health Exchange™, but you will still have the option to enroll in the FedEx Retiree Health Plan and use your FedEx Retiree Health Credit to reimburse your premium costs.

You may also have access to the public exchange administered by your state or the Federal Health Insurance Marketplace, where you may qualify for the annual Federal Premium Tax Subsidy. If you choose this option, you can't use both the Retiree Health Credit and the Federal Premium Tax Subsidy in the same year. You have to choose one or the other, but you will still have access to your Retiree Health Credit the year after you stop using your Federal Premium Tax Subsidy.

- FedEx will provide access to resources to help guide you through your retirement decisions.
 - The retirement website, retirement.fedex.com, is being enhanced, making it a more centralized site for all of your retirement planning needs including information about your retiree health coverage options, 401(k) plan and pension plan. Estimators and tools will be available beginning in 2018 to help you plan and make the important decisions about retirement.
 - Employees age 50 and older will have access to a Financial Coach at no charge. Financial coaches can help you weigh your options and work with you to create a plan to help you meet your goals for retirement, including health care coverage.
- And finally, in order to make the retiree health program sustainable for our current employees, retiree health coverage will be closed to new employees hired on or after January 1, 2018.

Next Steps

Effective October 3, 2017, you can go to retirement.fedex.com to access information about retiree health benefits, if you're eligible. And don't forget, the website will be updated in 2018 to provide more retirement planning tools and resources.

Thinking of retiring in the next few months? Call the FedEx Retirement Service Center at 1.855.604.6221 for information on what you can do now.

Pre-65 Retiree Health Benefits Eligibility for:

- If you are at least 55 years old and were hired before January 1, 1988, you need 10 years of continuous service to qualify for pre-65 retiree health benefits.
- If you were hired on or after January 1, 1988, you need 20 years of service to qualify for pre-65 retiree health benefits.

Source: The 2016 Kaiser Family Foundation and Health Research & Educational Trust Annual Employer Health Benefits Survey
The employee benefits are governed by formal plan documents and, in the event of any conflict between this announcement and the applicable plan document, the formal plan document will control. This announcement does not alter any plans or related agreements. FedEx reserves the right to amend or terminate any of its employee benefit plans, in whole or in part, at any time and for any reason.